Weekly Economic Review

Slower growth in average weekly earnings

Average Weekly Earnings

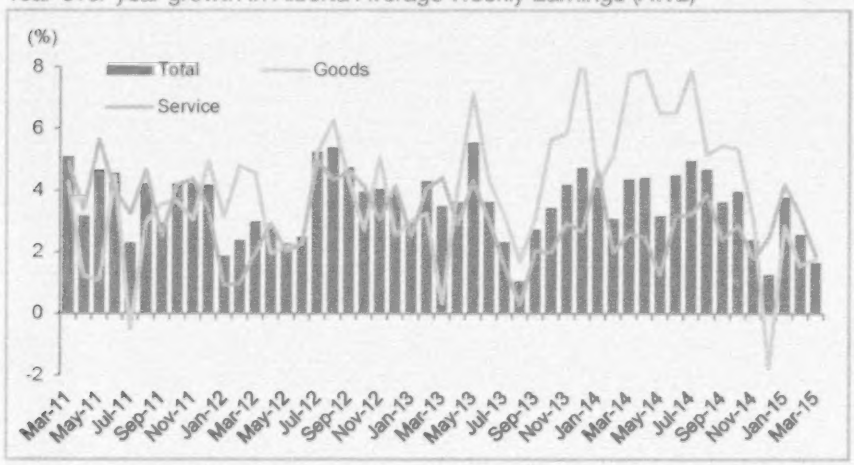
Earnings growth weakens

Average Weekly Earnings (AWE) in Alberta were $1,160 in March, an increase of 1.6% year-over-year (y/y). Earnings growth has cooled since the end of 2014. Growth in earnings was largely due to the service sector, which was up 1.9% y/y, led by professional, scientific and technical services (6.2% y/y), followed by wholesale trade (7.8% y/y). While earnings in the goods sector were up 1.8% y/y, growth in the sector was substantially weaker than during most of 2014 (Chart 1). Growth was pulled down by construction earnings, which fell 1.0%, the second month of negative year-over-year growth.

Nationally, AWE was $945 in March, an increase of 2.8% y/y. New Brunswick (+4.4%), Prince Edward Island (+3.7%) and Ontario (+3.3%) led year-over-year growth; British Columbia (+1.2%), Manitoba and Alberta (both +1.6%) had the lowest growth.

Chart 1: Earnings growth moderates

Year-over-year growth in Alberta Average Weekly Earnings (AWE)



Source: Statistics Canada

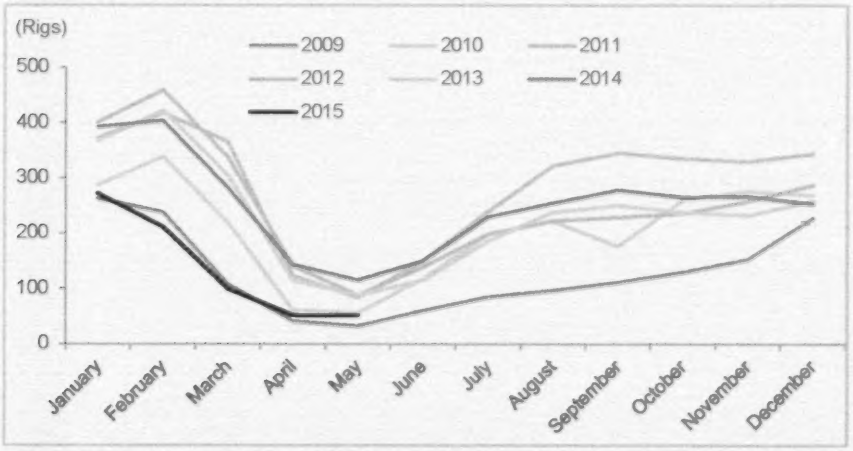
Rigs Drilling

Rig activity flattens out

There were 51 rigs drilling in Alberta in May 2015, the same as in April, though 56% below May 2014. This was the lowest number of rigs drilling since May 2009 (Chart 2). Just 10% of available rigs were in the field. May is typically the slowest month for drilling, because of spring breakup. Rig activity has slowed throughout North America, with the number of rigs down by around 50% y/y in both the US and Canada. Through the first 5 months of 2015, rig activity in Alberta is down by 49% compared with the same period of 2014.

Chart 2: Rig activity is at the lowest level since 2009

Alberta Rig Count



Source: Canadian Association of Oilwell Drilling Contractors

Railway Carloadings

Railcar shipments jump

The number of railcars moving from Western Canada increased 6.8% y/y in March. The growth came primarily from higher shipments of potash (+23%) and lumber (+46%). This overcame the 15.6% decline in coal shipments. Crude oil shipments have plateaued after rapid increases in 2012 and 2013, with a year-over-year decline of 0.1%.

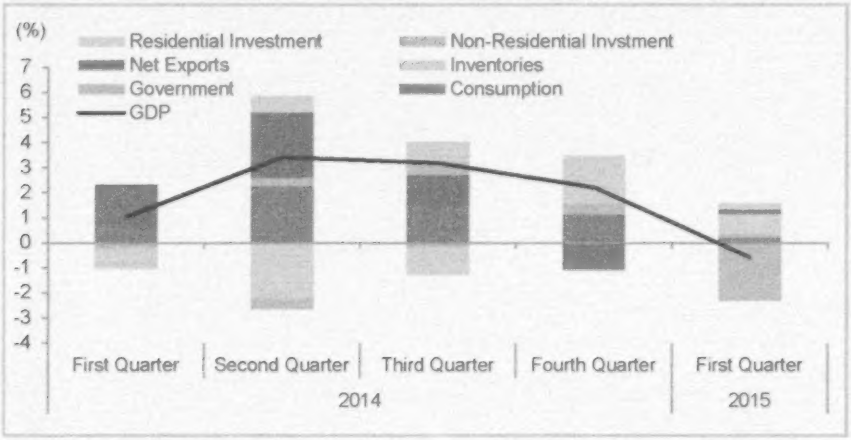
Canadian Real GDP

Weak start for 2015

Canadian real GDP was off to a weak start in 2015, contracting by 0.6% (quarterly at annual rates) in the first quarter, as low oil prices weighed on activity. The biggest contributor to the decline was business non-residential investment (Chart 3), which contracted by 15.5%. Investment in engineering structures, the better part of which is oil and gas investment, declined by 23%. Investment in non-residential buildings (-5.8%) and machinery and equipment (-7.4%) fell significantly as well. The slowdown also affected households, as consumption expenditures grew by just 0.4%, the slowest in 6 years. Consumption was slowed by spending on durable goods, which fell -5.5%. Net exports contributed modestly to growth as a 1.1% decline in exports was offset by a 1.5% decline in imports. The lone bright spot in the Canadian economy was housing, as residential investment grew by 4.0%, mostly from new building construction.

Chart 3: Lower investment pulls down Canadian real GDP growth

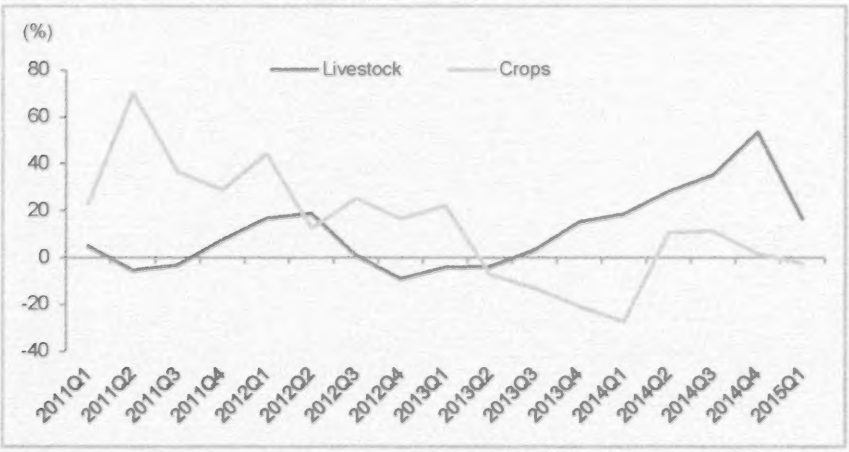
Contribution to quarterly change in Canadian real GDP at annual rates



Source: Statistics Canada

Chart 4: Livestock cash receipts outpace crops

Year-over-year change in Alberta farm cash receipts



Source: Statistics Canada

Farm Cash Receipts

Livestock up, crops down

Farm cash receipts in the first quarter of 2015 totaled $3.5 billion, an increase of 7.4% from the first quarter of 2014 (Chart 4). Livestock receipts were $1.6 billion, up 17% y/y. Though strong, this was down from the 30%+ growth rates last year. Ranchers have benefited from higher prices, with the price of cattle and calves up 40% y/y in the first quarter. Crops receipts were $1.7 billion, a decrease of 2.5% y/y as crops receipts appear to be slowing following a strong performance in 2014. The decline in crop receipts was offset by $125 million in crop insurance pay-outs, almost $60 million more than in the first quarter of 2014.

US Real GDP

Another first quarter decline

For the second year in a row, US real GDP declined in the first quarter, falling at an annual rate of 0.6%. As in 2014, growth was slowed by unusually cold winter weather, especially in the North East. GDP was pulled down by lower exports, business fixed investment and state and local government spending. The decline in investment was largely related to sharply lower investment in mining exploration, shafts and wells. Exports have been hurt by the stronger US dollar, which over the last year has gained over 10% against the currencies of major trading partners.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.